

DISCUSSION PAPER

THE CO-OPERATIVE DEVELOPMENT PROGRAM
OBJECTIVES, ASSUMPTIONS AND ISSUES

CDP UNIT
MINISTRY OF EMPLOYMENT
AND TRAINING

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INTRODUCTION

On 12 February 1983, the Minister for Employment and Training, the Hon. J. Simmonds, stated inter alia that the Co-operative Development Program was supported because: "I believe it addresses two major issues - long term job creation and democratic work organisation. The viability of co-operatives is the essential element of the first. Strong links with the labour movement are necessary for the second." Mr. Simmonds went on to state that: "The program has shown that developing a viable co-operative business is difficult and exacting. The program is attempting to establish whether or not it is possible to establish worker and/or community co-operatives. The marrying together of the two concepts - co-operative and business - is essential. Without this marriage, the co-operative program would, in my view, be futile."

The Discussion Paper has been prepared by the Ministry's CDP unit for co-operatives funded under the program. In reading the Discussion Paper it is important to understand what it attempts and what it does not attempt. An independent evaluation of the program is underway and it has been decided, therefore, not to address directly the extent to which the co-operatives are achieving organisational and economic viability and the contribution co-operatives have made and could have made towards democratising work and long-term job creation. These complex considerations are more appropriate for the evaluation. The issues discussed in this paper will also be covered by the evaluation. These issues are central to the Ministry's administration of the program. The paper, therefore, has the following purposes:

- (1) Provide a statement of objectives, assumptions and issues by the Ministry's CDP unit.
- (2) Provide a concrete basis for funded co-operatives to respond to these objectives, assumptions and issues.
- (3) Provide the Ministry, the Evaluation Steering Committee and the evaluators with these direct responses.

OBJECTIVES

The objectives of the Co-operative Development Program are to:

- (i) establish viable, new small-scale business enterprises, or employment generating modifications to existing businesses through work co-operative ventures;
- (ii) enhance the effective integration of the training and social resources required to provide for the long-term viability of work co-operatives; and through these ventures to -
- (iii) improve the economic well-being and social conditions of those unemployed or facing difficulties in entering or re-entering employment;
- (iv) make use of unused or underutilised community resources; and
- (v) enhance the employability of participants in the program.

The critical overriding objective of the program is the establishment of viable co-operative business enterprises. The basis of funding, therefore, has rested on two inter-related considerations:

1. The co-operative commitment and understanding of an applicant group. In considering applications a critical consideration has been evidence of a common ideological commitment, a shared value system and a group cohesiveness around co-operation and/or collectivism and/or self-management. While these commitments have not necessarily been specific to a co-operative structure, they have provided an ideological, value and group consensus which are critical to organisational development. It is critical to establish whether or not the actual and/or proposed business will operate with co-operative principles and practices.

The program has experienced the most difficulties with groups who have the least ideological commitment, disparate values and little cohesiveness. Other groups, however, have entered the program with relatively defined political and social objectives and commitments and this seems to have enhanced the possibility of commercial viability.

Two distinct groups of co-operatives have been funded - community based and worker based co-operatives. Community based co-operatives have an open membership for residents of a local or regional area. Worker based co-operatives either restrict their membership to workers in the co-operative or have a small total membership which includes a majority and/or significant worker membership or workers in effect control the operations of the co-operative. All the co-operatives however community and worker based, have adopted some form of industrial democracy.

Worker-based, owned and controlled co-operatives have demonstrated the most clarity in their social and political objectives and, in particular, to reconciling democratisation of work practice with commercial objectives. With a few exceptions, the community-based co-operatives have, however, shown confusion in their social and political objectives and in some of these co-operatives, there have been prolonged disputes concerning the relative merits of work experience, commercial viability, training and political commitments.

Relatively developed and under-developed groups have been supported under the program due to:

- (1) the given range of groups applying for funding;
- (2) the absence of relevant co-operative models and experiences;
- (3) a commitment to providing co-operative opportunities and experiences to diverse groups; and
- (4) even the most developed co-operatives can never avoid the organisational tensions inherent to a democratic co-operative.

2. The business performance and/or potential of the applicant group.

Funding is based on the potential economic viability of co-operatives. There has been no dogmatic definition of viability and it is assumed that this depends on what level of ongoing profitability is required for long-term survival. Commercial viability potential and commitment has been considered essential. It is relatively easy to democratise workplaces that are under-utilised, relatively unproductive and inefficient. A

real test, however, is when democratisation occurs in co-operative enterprises which are committed to and demonstrate increasing commercial viability. Assessment of business performance and potential has been expedited when co-operatives have already established a business. Assessment is more difficult when the business is proposed.

The importance placed on social and political objectives by the program has not always been understood. Yet, the co-operatives funded do have significant and varying political and social objectives and commitments e.g. wholesome food, the Women's Movement, conservation and ecology, community access, the gay community and worker control. The evidence of who has been funded demonstrates by fact rather than assertion that politically and socially based co-operatives are eligible for funding. Politically and socially committed groups who demonstrate a commitment to achieving commercial viability have been funded.

It has been considered critical that co-operatives establish clear and defined objectives. In a conventional business enterprise economic objectives are relatively clear whereas in a business that is also a co-operative there are also distinct social and political objectives. The point is not that a co-operative should abandon its social and political objectives but reconcile these with its economic objectives. Fundamentally different objectives, however, could result in every decision becoming an unnecessarily prolonged policy decision on the ideals of the co-operative. The solution lies, therefore, in the establishment of a consensus about objectives, priorities and implementation. In making funding decisions, therefore, it is important to establish the extent and potential of a co-operative to establish this consensus over a reasonable period of time. While the consensus could be re-negotiated there is a point at which the absence of a consensus prevents organisational and commercial viability.

In meeting the program's objectives funding has gone to relatively new and start up groups. The limitations of these co-operatives have been expressed by the Minister for Employment and Training, the Hon. J. Simmonds, as follows:

"Most of the co-operatives in our program are small and labour intensive. They are not representative of the large, complex enterprises which dominate the Australian economy. Almost half

are information-based co-operatives. This is an important feature, which indicates not only the increasing role of this sector in society, and its potential economic viability but also a developing potential for representing the interests of a politically and economically developed co-operative movement. The Food industry is also well represented. The co-operatives make no or small profits. The participants are usually young and middle class; the co-operatives are linked more to the alternative lifestyle movement than the labour movement or other political forces."

The CDP unit is now attempting to encourage conversion co-operatives - conventional business enterprises which convert into co-operatives. Conversion of an existing business into a co-operative is justifiable if there is actual or potential viability. Conversion co-operatives could be a desirable development due to a proven and long-term trading history, the work experience of the workers, a possible tradition of trade union membership, the actual and/or potential size of the business and its location in the economy. Discussions are proceeding with potential conversion co-operatives and an information paper on converting a company into a co-operative has been prepared.

Funding and technical assistance is provided to worker and/or community-based co-operatives. If a co-operative demonstrates a continuing commitment and compliance with the program's objectives and funding conditions - the marrying of co-operative and business principle and practice. All the co-operatives are expected to demonstrate a commitment to industrial democracy (worker ownership and/or control and/or participation) and long-term job creation. This has been an implicit expectation which the Minister for Employment and Training, the Hon. J. Simmonds, has now made quite explicit.

BUSINESS PLANS

The basic requirement for any funding application is the preparation of a business plan which includes objectives, proposed products and/or services, an organisational and management structure, an education and training plan, a marketing strategy and financial projections over a minimum 12 month period - a balance sheet, profit and loss and cash flow statements.

Goals and objectives are important because they provide targets and assessment points e.g., expected sales income, expenditure and employment levels, education and training activities, marketing targets and decision-making at particular points of time. The overriding objective has to be an economically viable co-operative business enterprise. It is expected, however, that this will be complemented by social and political objectives e.g., the democratisation of work, long-term job creation, job security, personally satisfying work and the provision of socially useful products and/or services. It is expected, therefore, that these social and political objectives will be included in the business plan because they complement the co-operative's economic objectives. The education and training plan should identify needs of directors and/or workers and/or members and how to meet these needs. The plan should include an implementation timetable. Decision-making proposals will address how decisions will be made and by whom and the mechanism adopted for ensuring continued worker participation in the decision-making process. Survival is critically dependent on being able to make the right decisions at the right time regarding pricing, costing, marketing, finance, accounting and marketing. The financial projections are perhaps the most important ingredients of the business plan. The projections are required to be detailed on a monthly basis and cover a minimum 12 month period. The financial projections need to address profitability and liquidity. Profitability is addressed through the projected profit and loss statement. Liquidity is addressed through the projected cash flow statement.

The business plan is critical to the survival and viability of co-operative business enterprises. The planning process of preparing a business plan enables co-operatives to identify and analyse objectives, resources and priorities systematically and to consider optional organisational, financial and marketing strategies. The plan outlines how the co-operative will be organised and managed e.g., collective decision-making.

If subsequent actual performance statements reveal discrepancies with projected performance statements, then, the co-operative is able to take action e.g., there may be a problem with stock - stock that is not in demand or excessive or insufficient to meet demand. Financial projections and the ability to compare projections with performance provides a realistic basis for assessing income and costs, revising and adjusting costs and prices, analysing variations and the causes of these variations and taking the necessary corrective action. The business plan provides the basis for assessing subsequent organisational and economic performance. This would include assessing the inter-relationship between economic, social and political objectives. It would include assessing the marketing plan and its implementation.

The preparation of a business plan needs to be understood and accepted as a democratic planning process during which the co-operative members and/or workers reach an understanding and consensus on the co-operative's objectives and strategies. The business plan also needs to be seen as a planning document prepared by a co-operative to guide its operations and, therefore, provide all members and/or workers with a basis for subsequent assessing organisational and economic performance. This assessment is formalised through quarterly reviews and monthly financial statements.

The Ministry has issued brief guidelines for the preparation of business plans but has expected co-operatives to use their own initiative and use the services of the Co-operative Business Unit and Education Training Units. The units have been expected to encourage utilisation of their services. It has been a general policy that co-operatives should be encouraged to rely more on the units rather than the Ministry and that this would encourage the independence of the co-operatives. In practice, not all co-operatives have effectively and consistently used the services of the units. This has been partly reflected in the differing quality of business plans submitted by co-operatives. There is probably a mixture of explanations for unsatisfactory business plans and this would include personnel turnover, not comprehending the requirements, an inability to use the services of the two units effectively, disagreements regarding the usefulness of business plans and the failure of the CDP, Business and Education and Training Units to communicate requirements effectively.

FUNDING CONDITIONS

The program's funding conditions serve four complementary objectives:

1. Ensuring that the objectives of the program are being met.
2. Accountability to the Ministry for the expenditure of public monies.
3. Encouraging sound co-operative business principles and practices. The procedures required are more sophisticated than those adopted by most small business enterprises.
4. Developing alternative business enterprises with varying social and political objectives.
5. Providing a basis for the democratisation of work e.g., through the preparation and analysis of business plans, quarterly reviews and monthly financial statements.

The funding conditions need to be seen within the context of these five complementary objectives. The complementary nature of the objectives is not necessarily consistently understood and/or accepted, however, and funding conditions have been criticised in varying ways. The criticisms have sometimes changed or subsided depending on the organisational development and economic progress of co-operatives. The criticisms have concerned the relevance and appropriateness of the conditions, the time required to meet the conditions, their interference with co-operative autonomy and business operations, the expense of meeting the conditions and over-sophisticated requirements. The basis of these criticisms has depended upon the following factors:

1. Whether or not the group was attempting to attain commercial viability.
2. The experience of attempting to achieve commercial viability over a period of time.
3. The experience of complying with funding conditions over a period of time.

4. The attitude of influentials within the co-operative.
5. Whether or not there has been demonstrated and/or perceived organisational development and economic progress.
6. The commitment to industrial democracy and long-term job creation.
7. The demonstrated commitment of co-operative participants over a period of time.

There are two inter-related sorts of funding conditions:

- . Standard conditions.
- . Additional conditions.

The standard conditions can be grouped into interdependent business and co-operative conditions. Both business and co-operative conditions meet the program's accountability and alternative business requirements.

As to business conditions, funded co-operatives are required to provide the Ministry with:

- . monthly cash flow statements, balance sheets and profit and loss statements
- . copies of all management committee minutes and any associated documents considered by the management committee
- . quarterly reports indicating the extent to which the goal of self-sufficiency was being attained
- . audited statements on the use of the loans and grants, on completion of the project or when applying for further funding.

In addition to these, the co-operatives are required to:

- . use grants and/or loans only for the stipulated purposes. All costs must be built into pricing structures
- . comply with all the relevant responsibilities of employers and with the requirements of Commonwealth and State legislation and

regulations. The onus will be on the co-operative to know and observe relevant legislation and regulations; and

- . establish and maintain adequate financial records supervised by a qualified accountant. Banking, financial and money management details should be fully disclosed.

The co-operative conditions of the program are as follows:

- . a clear understanding, acceptance and continued application of co-operative business principles and practice
- . registration and continued meeting of the requirements of registration
- . a reasonable base of community support. The mix and extent of the community support would necessarily vary from proposal to proposal
- . active and substantial involvement of the unemployed in the development of the co-operative
- . observe co-operative principle and practice, maintain membership of the Co-operative Federation of Victoria and attend or be represented at meetings of the community employment co-operatives group of the Co-operative Federation of Victoria.

Funding condition implementation has been flexible - resulting in an expansion or contraction of conditions depending on the economic progress, organisational development and accountability record of co-operatives. In the first 18 months of the program considerable leeway was permitted in implementing the standard funding conditions. Throughout 1981, therefore, some groups were not providing monthly financial statements. The requirement for monthly statements was, however, enforced in 1982. While their enforcement has varied, the standard conditions have not been varied because of the assumed merit of the conditions, the need to ensure relevant and appropriate accountability and consistency.

Additional funding conditions may be introduced when co-operatives are originally funded due to actual and perceived discrepancies in business performance and the business plan and/or as a result of inadequate economic

performance and/or an inability to consistently comply with program objectives and funding conditions e.g., the preparation of education and training plans, developing a policy on co-operative equity, developing a marketing plan, and the provision of fortnightly co-ordinator reports. Payment schedules for co-operatives are also dependent on accountability and/or economic performance. Funding arrangements for some co-operatives have changed from monthly payments in 1982 to approximately quarterly payments in 1983. Consideration is also being given to introducing more flexibility into the standard condition requiring monthly balance sheets, cash flow and profit and loss statements.

It would perhaps be useful to consider the specific basis of some of the funding conditions. The requirement that groups should maintain membership of the Co-operative Federation of Victoria was an attempt to structure familiarisation, knowledge and understanding of the co-operative movement. It was also assumed that the funded co-operatives would benefit from an association with the traditional co-operatives. This may not, however, be the most effective way of promoting and strengthening co-operative principles and practices. The requirement that groups should attend meetings of the community employment co-operative group of the Co-operative Federation of Victoria was designed to encourage co-operation between co-operatives. An association of worker co-operatives has been formed but the group is relatively inactive and meets irregularly. It has been thought unwise to even consider enforcement of this requirement.

EQUITY

Equity is the ownership of capital. Membership equity in a co-operative is the number of shares held by members of the co-operative.

Membership equity indicates the extent of financial commitment of co-operative members. But, then, equity reflects the income and wealth of members rather than a co-operative commitment. This wealth problem is recognised by the co-operative movement which provides that co-operative members exercise one vote irrespective of shareholding. A further democratic limitation provides that the maximum number of shares held by any one shareholder is 20%.

In conventionally owned business enterprises, institutional and individual shareholders own the enterprises. In a co-operative business there are individual members but no institutional members. Unlike the shares of traditional business enterprises, the shares in a co-operative do not change in value and are non-speculative. Membership equity in the co-operatives funded under the Co-operative Development Program varies.

With either community or worker-based co-operatives the actual and/or potential membership could be low income and, therefore, the possibility of a high membership equity is limited. With the worker-based co-operatives some emphasise a high worker equity whereas others deny the desirability and possibility of a high worker equity. Certainly, the smaller the number of workers the harder it is to establish and develop a reasonable basis of worker equity.

A significant objection to requiring co-operative members/workers to develop any substantial equity is that it encourages the development of little and/or workers' capitalism and, therefore, encourages competition and individualism rather than co-operation and co-operative development. It could be argued that if the purpose of requiring substantial equity is to demonstrate commitment, then there are alternative and complementary ways of demonstrating this commitment. While member and worker commitment is crucial in determining survival and viability, equity is a measure and not proof of this commitment. Alternative ways of demonstrating commitment include the raising and acceptance of loans, unpaid voluntary time and long-term involvement in the co-operative.

The following guidelines have been adopted by the Ministry for considering the co-operative equity situation of particular co-operatives:

1. Co-operatives should be required to develop a policy on equity and be able to substantiate the basis of this policy.
2. Co-operatives should not be disadvantaged by a demonstrated inability of its membership to provide equity funds. The inability to provide equity should not in itself disqualify a co-operative.
3. Loan/grant funds could be made available to enable co-operatives to build up equity over a period of time on an agreed basis.
4. Unrealistic and unrealisable demands should not be made on worker owned and controlled co-operatives to raise funds from commercial financial institutions.
5. Worker owned and controlled co-operatives should not be required to recruit non-worker community members as a means of raising funds, or be required to raise funds in the community.
6. Co-operatives with a community membership should normally be expected to establish significant equity or satisfactorily explain the inability or unwillingness to improve this equity situation. Alternatively, community co-operatives should consider conversion into worker owned and controlled co-operatives. The financial means of the co-operative's membership should be critical in determining an appropriate equity level. A co-operative should not be forced to recruit higher income earners simply to increase equity.

The basis of these guidelines has been that the question of equity should be treated flexibly and with regard to individual circumstances.

LOANS AND GRANTS

Since the establishment of the Co-operative Development Program in April 1981, the predominant form of funding has been grants. Since the beginning of 1983, however, grants continue only to be available for operating expenses (e.g., wages, accountancy fees and marketing expenses) whereas loans are available for working capital (purchase of stock and financing debtors) and fixed assets (e.g., capital equipment).

The objections to grants could be summarised as follows:

1. Grants encourage dependency on Government.
2. Grants encourage the belief that it is possible to get something for nothing.
3. Government grants undermine the co-operative philosophy of self-help.

Conversly, the arguments for loans are summarised as follows:

1. Loans are more effective in encouraging self-help and independence.
2. Loans are an incentive for co-operatives working harder and smarter.
3. Loans enable co-operatives to compete fairly.

The program's funding conditions and the enforcement of these conditions have aimed at obviating the problems of grants. Furthermore, most of the co-operatives funded have not allowed the provision of grants to dilute their commercial, social and political objectives.

It has not been considered, however, that a loan is necessarily innately superior to a grant. Grants could be seen as a redistribution mechanism which enable groups with limited resources to compete with individuals and groups who have substantial resources. Furthermore, it also needs to be recognised that many large and small business enterprises are eligible for a range of Government grants and grant equivalents which are usually

referred to as subsidies e.g., public sector infrastructure investment, training allowances, payroll tax deductions and investment allowances.

It is fair to say also that taxation considerations have made it desirable that funds be provided as a mixture of loans and grants.

CO-OPERATIVE UNITS

A Co-operative Business Unit was established at the Co-operative Federation of Victoria in July 1981. The Co-operative Education and Training Unit was established at the Vocational Orientation Centre in June 1982. The two units received grants totalling \$143,509 for 1982/83 - \$72,009 for the Co-operative Education and Training Unit and \$71,500 for the Co-operative Business Unit.

Discussions are now proceeding between the two units on their possible amalgamation into one unit. If the units are amalgamated, then, a number of issues will need to be resolved including:

- (1) Auspice
- (2) Functions
- (3) Staffing needs and priorities
- (4) Resource needs and priorities
- (5) Accountability.

The two units were established independent of the Ministry because it was believed that this would provide a sounder base for the long-term development of co-operatives, and provide for the eventual establishment of a Co-operative Development Agency controlled by the Co-operative Movement or a sector of the Movement.

The appropriate auspice for an amalgamated unit could be the Co-operative Federation of Victoria but not necessarily. In considering auspice, it would be necessary to consider similarities and differences between the traditional and new co-operatives and whether or not the differences are significant enough to justify an independent auspice.

If the traditional and new co-operatives differ significantly on issues such as trade unions, the labour movement, industrial democracy and long-term job creation, then, it may be mutually beneficial for an amalgamated unit not to operate under the auspice of the Co-operative Federation of Victoria. Eventually, an independent Co-operative Development Agency could

in fact be established as a secondary co-operative with its membership comprising the worker and community based co-operatives. The secondary co-operative could, of course, join as a member of the Co-operative Federation of Victoria.

The overall functions of the Co-operative Business and Education and Training Units could be described as servicing and resourcing. The units respond to the requested service needs of co-operatives e.g., training in the use of a bromide camera and the preparation of balance sheets. The units also provide resources which co-operatives can utilise e.g., special workshops and the social change conference. The provision of resources depends on the perceived needs of the co-operatives and their stated needs e.g., the questionnaire distributed at the social change conference. It was anticipated that in assisting co-operatives the units would more and more be able to anticipate the needs and difficulties of groups and not only react to problems when they arise.

The Co-operative Business Unit has been required to provide the Ministry and the Funding Committee with assessments of new applications for assistance. The unit is asked to provide assessments which cover the business viability of the applications, ie., economic objectives, past performance, management structure, marketing strategy and financial projections. The unit is not expected to recommend as to whether or not funding should be provided to a group. This requirement may, however, be unreasonable in compromising the position of the Co-operative Business Adviser. While the adviser provides assessments rather than judgements the process of making and being seen to make these does conflict with a servicing role and, therefore, could be seen as generating a conflict of interest. This conflict of interest is further aggravated when the adviser assists groups to develop business plans and, then, is required to provide an assessment of the plans.

Usage of the units and staff by the co-operatives varies considerably and has changed over time. Some co-operatives continue to make relatively extensive use of one or both units. Some co-operatives have initially used one or both units extensively but have subsequently reduced their usage to a minimum. Some co-operatives have made very little usage of one or both units. Varied usage of the units seem to be based on the following factors:

- (1) The experience of using one or both units.
- (2) The perceived usefulness and relevance of the units.
- (3) Actual and/or assumed development of necessary knowledge and skills by co-operatives which were previously being provided by one and/or both units.
- (4) Co-operatives independently employing their own consultants.
- (5) The actual and/or assumed available knowledge and/or skills in the co-operative itself.
- (6) The organisational development of the co-operatives.

The success and viability of the co-operatives depends on the provision of adequate co-operative business and education services. This in turn, has depended on the two units successfully facilitating the ability of groups to identify desirable co-operative and business practices, recognise deficiencies in existing practices and, subsequently, seek appropriate assistance in remedying these practices. Both units, therefore, have had a responsibility to inform co-operatives of the relevance of their respective services by developing and implementing appropriately targeted marketing strategies i.e., selling the desirability and necessity of their services and adopting preventative roles that anticipated co-operative and business problems before they became critical to survival and viability.

It could be argued that some co-operatives have been over-protected by one or both units to the extent that problems have seriously deteriorated and it has only been belated Ministry intervention which forced a resolution of the problem. In other instances it could be argued that one or both units have over-serviced some co-operatives - continuing to provide services despite increasing inappropriateness of the continuation of these services. The activities of the units need to be understood in the context of their objectives and situations:

- (1) The time needed to establish their independence from the Ministry.
- (2) Their inability to enforce advice and services.

- (3) Their unwillingness to enforce advice and services.
- (4) Their dependence on co-operatives requesting assistance.

Monitoring of the co-operative business and education and training units was increased in late 1982. It was considered that the activities of the units needed to be more closely monitored to maximise their efficiency and effectiveness e.g., the accountability of the units to funded co-operatives.

BUSINESS CONSULTANTS

The number of business consultants used under the Program has been quite limited. Difficulties have been experienced in securing an adequate range of consultants, consultants who understand co-operatives and consultants who are able to combine servicing and skill/knowledge transfer roles. There have also been difficulties in the effective usage of consultants.

Consultants have been recruited either by the Co-operative business and/or training units and/or co-operatives. Consultants used by Co-operatives have included Accountants, Marketing Specialists and Lawyers. Accountants have been used to design accounting systems, prepare and interpret monthly financial statements, prepare financial projections, prepare tax returns and prepare costing and pricing reviews. Marketing consultants have been used to identify marketing strategies.

Under the program funding for consultants is provided in one of two ways:

- . Co-operatives use tied or untied grant money or sales income to employ a consultant with or without the assistance of the Co-operative Business and Education and Training Units.
- . The Co-operative Business and/or Education and Training Unit/s directly employ a consultant with or for a Co-operative.

A critical issue is the accountability of consultants. Consultants employed by co-operatives are accountable to those co-operatives and, therefore, the onus lies with those co-operatives to ensure the contractual arrangements with consultants are clear and precise as to each party's obligations, timing, payment and payment schedules.

The effectiveness of consultants used has yet to be fully tested. This effectiveness is affected by the internal operations, attitudes, capabilities and development in a co-operative. It is equally important that one or both units assist co-operatives, when required, to develop effective relationships with consultants. Co-operatives have, in particular, relied on the co-operative business unit for the recruitment, selection and briefing of consultants.

The usage of consultants by co-operatives, the business and education and training units is determined by actual and/or perceived knowledge and skill discrepancies. A consultant is employed to provide knowledge and skills which are required but are otherwise not available.

A short or long-term reliance on consultants is in itself determined by the complexity of the knowledge and skills required, the time period for which this knowledge and skills are required, the capacity of and time needed for co-operative participants to acquire knowledge and skills, the development of appropriate processes for transferring the required knowledge and skills and the willingness and ability of co-operative participants to acquire the required knowledge and skills. As consultants are more expensive than a co-operative's own workers and the staff of a Co-operative Development Agency it is desirable to minimise and reduce the usage of consultants as soon as is appropriate and practical.

Working with the Small Business Development Corporation, the CDP unit is preparing a list of up to 12 consultants who will be interviewed regarding their interest and appropriateness to the Co-operative Development Program. This is regarded as a preliminary step towards identifying a wider choice of consultants who could be utilised by co-operatives.

THE FUNDING COMMITTEE

The funding committee was established by the Ministry for Employment and Training to assist in the implementation of the Co-operative Development Program (CDP). The role of the funding committee is to help in assessing applications, interviewing applicants and making funding recommendations. The funding committee first met on 6 May 1981.

The funding committee represents an independent source of advice for the Ministry and has the following membership:

- Ministry of Employment and Training (2)
- Small Business Development Corporation (1)
- Funded Co-operatives (3)
- Co-operative Federation of Victoria (1)
- Registry of Co-operatives (1)
- Department of Labour and Industry (1)

The Co-operative Business and Education and Training Units have one representative each in a non-voting capacity.

Applications are initially processed by the Ministry's CDP unit which prepares assessments of applications and meets with applicants until the unit considers an application is ready to be referred to the funding committee. Proposals are brought to the funding committee when it is considered that the proposals generally meet the funding conditions and have potential as a co-operative business.

A group is consulted on a hearing date and, if acceptable, this will be confirmed in writing. Meetings are normally held with groups before the funding committee meeting. It is desirable that as many actual and/or potential workers and directors attend the funding committee meeting.

THE FUNDING COMMITTEE PROCESS

1. The funding committee convenes and discusses the application - issues, concerns and questions are identified.

2. The applicants' representatives are invited into the meeting and introductions are made.
3. Applicants are invited to make their presentation.
4. Members of the funding committee ask questions.
5. Applicants are invited to ask their own questions and make any final comments.
6. The applicants leave.
7. Members of the funding committee discuss the application, make a recommendation and could suggest additional funding conditions.
8. The CDP unit writes up a recommendation for the Ministry and the Minister. This will include an argument for or against funding, the funding committee recommendation and any additional funding conditions.
9. The recommendation is processed within the Ministry. This could involve queries and clarifications.
10. A final recommendation is received by the Minister.
11. A decision is made by the Minister.
12. A letter is forwarded to the applicants to inform them of the decision.

If a co-operative disagrees with a decision it can always appeal to the Minister, stating reasons in detail. Preferably these reasons should relate to the program's objectives and funding conditions. There is always the possibility of reconsideration of an application. A few rejected applications have been reconsidered but in each case the original decision has been confirmed.

MINISTRY OF EMPLOYMENT AND TRAINING

CO-OPERATIVE DEVELOPMENT PROGRAM

CDP DISCUSSION PAPER

Please find attached the CDP Discussion Paper - The Co-operative Development Program: Objectives, Assumptions and Issues.

The Discussion Paper is being distributed late and, therefore, the date for the receipt of submissions from Co-operatives has been extended from the 7th March to the 15th April 1983.

You are invited to submit responses to the Discussion Paper. Responses received will be acknowledged in writing.

The responses will be used in considering the future of the Co-operative Development Program.

The opportunity to make submissions provides Co-operatives with direct and individual input into the decision-making process and the submissions received will also be utilised by the Evaluation Steering Committee and the Program's appointed evaluators.

As promised by the Minister for Employment and Training, the Hon. J. Simmonds, a meeting will be organised with Co-operatives after the closing date for receipt of submissions. Naturally enough, this meeting will not now take place in March as originally envisaged. The meeting will now take place in May, 1983.

J. EDGAR (Dr.)

Acting Deputy Director-General

16th March 1983